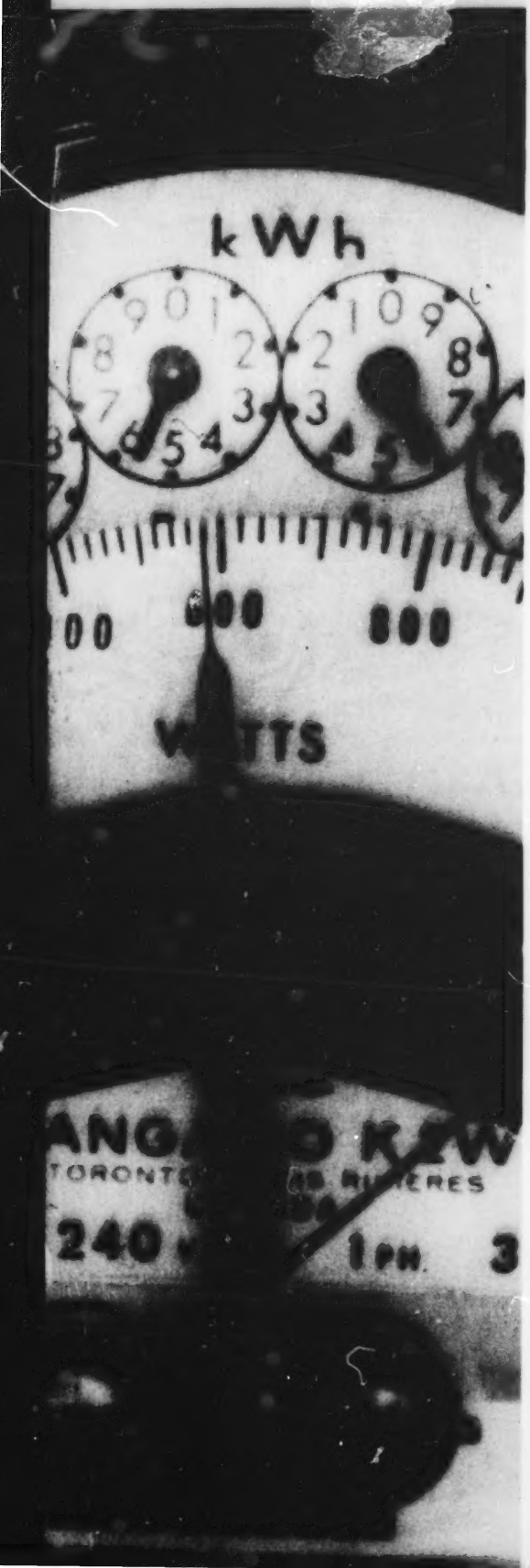
NORTHWEST TERRITORIES
POWER
CORPORATION

ANNUAL REPORT 2000/01



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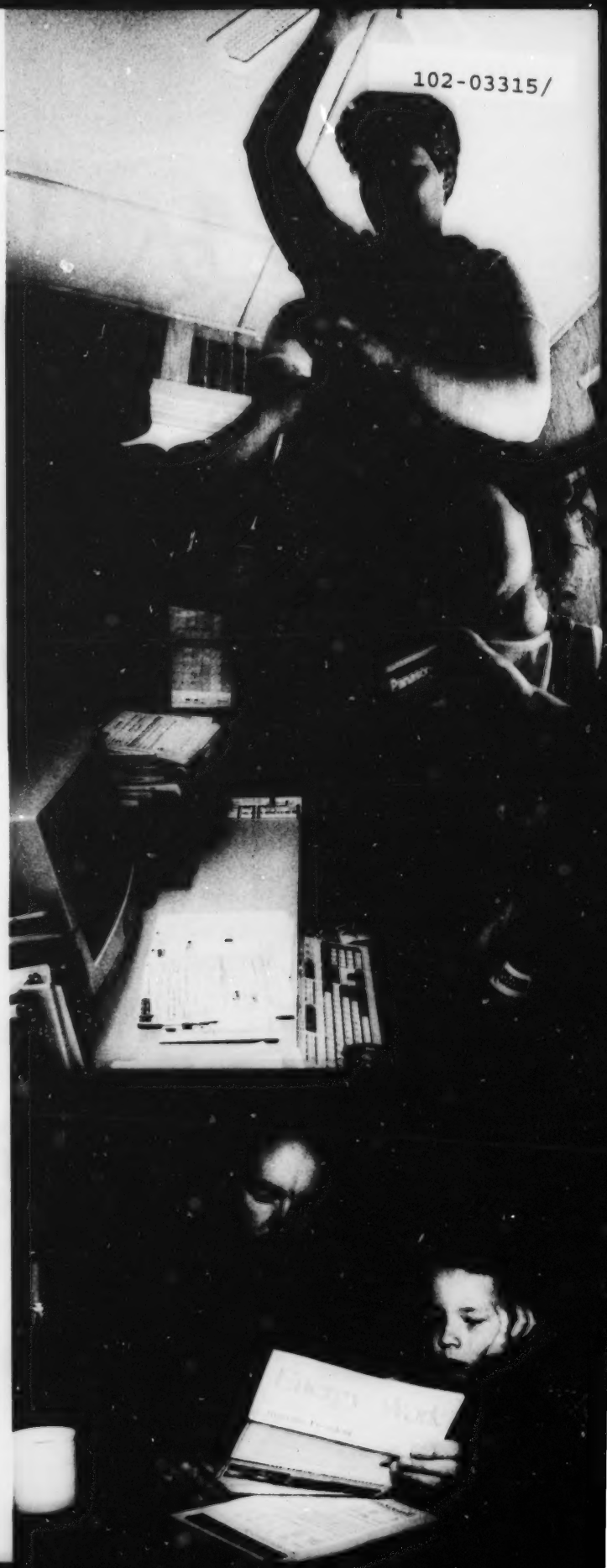
VISION

TO BE RECOGNIZED AS A PROGRESSIVE COMPANY.

MISSION

TO PROVIDE, SAFE RELIABLE ENERGY AND RELATED SERVICES IN THE TERRITORIES, WHILE FOLLOWING SOUND BUSINESS PRACTICES AND DEMONSTRATING LEADERSHIP IN PROTECTING THE ENVIRONMENT. IN ACHIEVING THE CORPORATIONS' VISION STATEMENT AND OBJECTIVES, WE WILL ENDEAVOR TO:

- Be cost effective in the utilization of all resources, always remembering that we are spending the customer's money;
- Strive to increase shareholder value in the long term;
- Be responsive to our customers and their changing needs;
- Act ethically and honestly – treating employees, customers and others with fairness, dignity and respect;
- Commit to the safety and development of our employees by balancing the needs of our customers with the needs of our families and ourselves;
- Respect and protect the environment in all our activities to ensure a sustainable environment for the territories; and
- Communicate in an open and timely manner.



MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

Message from the Chairman

On behalf of the Board of Directors I would like to take this opportunity to thank all of the employees of the Corporation for meeting the challenges of the past year. We realize that there were a number of issues from division and sky rocketing fuel prices to restructuring and refocusing in addition to the ongoing business of the Corporation. These challenges were met head-on and dealt with. To the employees that left the Corporation to remain with Nunavut Power Corporation, thank you for your dedication and loyal service, we extend every best wish for a successful future.

To the employees of NTPC thank you for your efforts over the past year and I know we can all look forward to a very exciting future with the Northwest Territories Power Corporation.

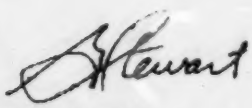
I would like to congratulate everyone for reaching another milestone by completing 2000/2001 without a lost time accident.

Over the last 12 months the Corporation has turned its focus to improving communication and service to our customers. We have made significant progress in this area and I would like to express the gratitude of the Board for the efforts of all employees on this very important initiative.

On March 31, 2001 three members left the Board of the Northwest Territories Power Corporation to join the Board of the Nunavut Power Corporation. I would like to thank Simon Merkosak, David Simailak and Rick Blennerhassett for their significant contributions to our Corporation. As well, Mr. Fred Abbott Financial Advisor to the Board resigned during the year. Thank you for your service, your wise council and good humor which will be greatly missed.

The Board wishes to acknowledge the support of the Shareholder and would like to thank the Honourable Stephen Kakfwi and the Honourable Jake Ootes who both held the portfolio as The Minister Responsible for the Northwest Territories Power Corporation during the year.

We look forward to the coming year with optimism and enthusiasm.



Gordon Stewart,
Chairman

Message from the President

People are our Business

The Northwest Territories Power Corporation faced a challenging year preparing for division of the Corporation and at the same time achieving goals set out under the four key objectives of reliability, safety, sound business practices and demonstrating leadership in protecting the environment.

The Board and senior management reviewed the position of the Corporation with regard to corporate image, customer and community relations and northern purchasing policies. As a result, a number of actions were initiated that together with a major re-structuring has set the foundation for a new direction focused on moving the Corporation into the 21st Century.

Reliability of Supply

Reliability of supply continues to be a prime goal of the entire Corporation and no effort has been spared over the last 12 months to ensure our excellent reputation was maintained. The Corporation is committed to providing electrical service to meet customers' needs at a high level of reliability. We are continuing to work on improving our current reliable service while considering customers' desire for low cost electricity service. Reliability across the Corporation's system is 99.96% and outages during the year lasted an average of 30 minutes, which compares extremely favourably to the national average of 100 minutes.

Safety – A Key Performance Indicator

Safety policies and procedures continue to provide an excellent return on the resources that the Corporation invests into this critical aspect of our business. Through dedication and hard work, staff have extended their 'zero lost-time' record for a further 12 months taking the total zero lost-time accident status of the Corporation to a record 32 months. We are proud to be able to congratulate all employees on achieving this very important milestone.

Environmentally Responsible

In accordance with the Corporation's Environmental Management System (EMS) Strategic Plan, assessment of site conditions at Corporation generating sites continued. In the Northwest Territories the assessment phase has now been completed and the emphasis of the program will now shift to monitoring, auditing and site cleanup.

Financial Performance

Net income for 2000/01 was $9.1 million compared with $10.7 million the previous year. This represented a return on equity of 8.2% compared to a target of 10% and a return last year of 10.7%. The Corporation has filed a General Rate Application in order to adjust rates to reflect increases in costs such as fuel and salaries and wages and the impact of division. It is expected that the Corporation will earn a full return on equity in 2001/02.

The Corporation declared a total dividend of $6.4 million for the year ending March 31, 2001 and of the total dividend, $4.1 million was paid to the Government of Northwest Territories (GNWT) and $2.3 million was paid to the Government of Nunavut (GN). This brings to more than $54 million the amount of dividends that the Corporation has paid since 1989. Over this period the dividend payments have funded the Territorial Power Subsidy Program that subsidizes the power bills of residential and small business customers.

Division

On April 1st 2001 the Northwest Territories Power Corporation ceased responsibility for the generation and distribution of electricity to customers in Nunavut. On this date the Nunavut Power Corporation commenced operations leaving the Northwest Territories Power Corporation to focus solely on its existing Northwest Territories customer base and the many opportunities that the 'new economy' is beginning to realize.

The transition to this new era has been taking place over the last two years, however it has been in the last fiscal year that some very important projects have been completed. Division presented management with an opportunity to review and realign the structure of the organization to reflect the new customer-driven strategies that have been developed and are now being implemented.

The new structure also recognizes the impact of division on our size. Having lost 40% of our business the Corporation began reducing staff through attrition in 1999. By April 2001 only 10 of the 40 positions eliminated remained. These positions were not laid off as directed by the Shareholder. As a result, additional staff remain that will impact the net income in 2001/02.

Customer Relations

To complement the introduction of the new structure, a thorough review of the Corporation's image was undertaken. This required obtaining a better understanding of the needs and expectations of our customers and to that end a comprehensive general market survey was carried out.

Based on the results of this survey a marketing and communications strategy has been developed and will be implemented over the next 12 to 24 months. The cornerstone of the strategy is 'Communicating with Customers' and it is anticipated that by communicating key messages, customers will be better informed on how our product and service is produced and delivered.

Business Development and New Opportunities

Working with local businesses to promote good business practice and the overall development of the northern economy is a challenge that the Corporation takes very seriously. In 2000/01, the Corporation's total cash expenditures amounted to $70 million with 76% of this total being spent in the North. A stronger business focus is being introduced into the organization and the recent appointment of a Director of Business Development signals that new business opportunities are being investigated and realized where they contribute to increasing overall shareholder value.

In the last quarter of 2000/01 the Corporation was pleased to secure a long-term agreement with the Nunavut Power Corporation to provide engineering services.

Also during the year the Corporation was very active in pursuing franchise agreements with several key communities including Fort Simpson and Hay River. The Corporation was successful in retaining the community of Fort Simpson as a customer.

In Hay River the Corporation responded to a Request for Proposal from the Council of Hay River to be its power provider. While the Town Council indicated it wanted to select the Corporation as its power provider the Corporation was directed to withdraw its proposal and not to accept the franchise.

Pivotal to the future direction of the Corporation, will be the decisions taken by our Shareholder, pertaining to the recommendations listed in a report titled 'A Design for Tomorrow – a Review of Electrical Generation, Transmission and Distribution in the Northwest Territories'. Published in December 2000, further announcements by the GNWT are anticipated during 2001/02.

Board of Directors

On behalf of all employees I would like to express our thanks to our Chairman and Board of Directors for their guidance and direction over the last 12 months. We acknowledge their valuable contribution toward strategy and policy development and their support of management decisions and strategy implementation. We echo the words of Chairman Gordon Stewart in thanking retiring Board members for their commitment to the Corporation and we wish them well in the future.

GORDON STEWART
Chairman

JUDITH GOUCHER, MA
Director, Finance & CFO

LEON COURNEYA FCA,
President & CEO

Ready for the Challenge

The past year has been particularly challenging managing the many facets relating to the division of the Corporation and implementing changes to ensure that a 'new look' Corporation is well positioned to continue serving the more than 8,000 customers living and working in the Northwest Territories. We have said farewell to our thousands of customers in Nunavut and to our staff based in the east who have taken the opportunity to work for the new Nunavut Power Corporation. Our focus is now firmly set on realizing the exciting business opportunities that exist in the Northwest Territories and utilizing our strengths and efficiencies to create a more effective generator and distributor of electricity.

Teamwork and dedication to our safety and environmental standards continues to bring success in providing safe, reliable energy at cost effective prices. On behalf of the Board and management we would like to express our sincere thanks to all staff for their unwavering commitment to achieving a high level of excellence in the delivery of our product to our customers.

Leon Courneya

Leon Courneya, FCA
President & CEO

Operations, Environment and Safety

Our Engineering Department consists of seasoned professional civil, mechanical and electrical engineers and technologists. The past year has been a challenging year with unexpected events such as the fire that destroyed the Sanikiluaq power plant and a second fire that extensively damaged two of the three diesel engines in our Kugluktuk plant. Staff responded to these emergencies promptly and professionally restoring power to the affected communities as quickly as possible.

Standby portable diesel generating units were used in Sanikiluaq, Fort Liard and Kugluktuk to help mitigate outage time. Over the last two years the Corporation has purchased two 330 KVA portable units and has budgeted to obtain another unit in the next fiscal year. With the three units available we will be able to react promptly to restore emergency electrical power to most communities in the North.

During the year the Corporation was pleased to sign a multi-year Engineering Service Agreement with the Nunavut Power Corporation. Under this Agreement the Corporation will undertake a variety of work including engineering studies, power plant and heating system design, and project management services. We are presently concentrating our business development in the two Territories and Canada. The Engineering staff has undertaken a number of major projects over the last 12 months including:

- Rebuilding of the Sanikiluaq power plant.
- Major upgrading and installation of a 4.7MW diesel engine in the Iqaluit power plant.
- Installation of a 4 MVAR Reactor at Pine Point substation.
- Installation of two additional fuel tanks in Fort Good Hope.
- Installation of a new 900 KVA diesel engine at Kugluktuk.
- Completion of mechanical upgrade in Rankin Inlet power plant.
- Completion of Residual Heat System in Pelly Bay
- Installation of a new 60 KW wind turbine in Rankin Inlet.
- Completion of a new power plant in Clyde River.
- Completion of building extension and mechanical/electrical upgrade in Repulse Bay power plant.

Delta - Sahtu Region

In the Delta - Sahtu Region (formerly Western Region) the Corporation has 13 stand alone power plants. Two are fueled primarily by natural gas and the others by diesel. The conversion of the Inuvik plant to natural gas, which required the installation of two new engines, continued to require a significant amount of fine-tuning and additional operator training. The plant is now operating efficiently with minimal down time.

With recent oil and gas exploration activities in the Mackenzie Delta, we have over the last 12 months experienced an increase in Inuvik of 9.1% in peak demand to 5.13 MVA.

In the region a number of projects were completed, including:

- Completion of fuel monitoring systems in Fort Good Hope and Colville Lake.
- Installation of distribution feeder management systems in Inuvik, Fort McPherson, and Tsiigehtchic.
- Replacement of deteriorated power poles in Inuvik.

North Slave Region

The newly formed North Slave Region comprises 3 diesel power plants at Rae Lakes, Wha Ti and Lutsel k'e, and the diesel/hydro system of Snare/Yellowknife/Rae Edzo.

As a result of recent severe sky wire icing on the transmission line that caused multiple Yellowknife outages, the Corporation removed 18km of old sky wire and installed lightning arrestors and ground grids on selected structures. This project is now complete and as a result there has been a significant reduction in the number of icing related outages in Yellowknife over the past year.

In the community of Rae-Edzo we installed automatic meter reading devices that enable us to read the meters remotely. This new technology offers the opportunity to gather readings more accurately and on a more timely basis. It is the Corporation's intention to install this technology into other communities.

South Slave - Deh Cho Region

Under the new organization structure the South Slave - Deh Cho Region consists of 5 diesel power plants in the Deh Cho and a diesel/hydro system supplying Fort Smith, Fort Resolution and Hay River.

We experienced a major power transformer failure at our Pine Point substation last summer due to lightning. An MVAR reactor was installed as a short-term solution to solve voltage problems at Pine Point, Hay River and Fort Resolution. The failed transformer is being repaired and will be back in service in August 2001.

In Fort Liard the Corporation installed a new 550 KVA diesel engine needed to meet the high load growth created by the impact of oil and gas exploration activities in the surrounding areas. We are actively pursuing the utilization of natural gas as our main energy fuel source in those communities where it becomes available and when economic benefit makes the conversion feasible.

Nunavut Region

The Nunavut Region comprises 23 diesel power plants in the Kitikmeot, Kivalliq and Baffin areas. These power plants became the responsibility of the newly formed Nunavut Power Corporation effective April 1st 2001.

This region continues to grow, creating a requirement for further infrastructure development in several communities. The recent completion of a power plant upgrade and the installation of a 4.7 MVA diesel engine in Iqaluit, were needed to meet the increased demand of electrical supply to this community. Two additional distribution feeders were also built to help alleviate the feeder overloading and voltage problems encountered.

The power plant in Sanikiluaq that was destroyed by fire May 1st 2000 is now replaced and has been in full operation since November 2000. At the time of the incident crews worked extremely hard to restore partial supply within 22 hours and full power after 32 hours. The construction of the new plant was completed within 6 months, an achievement that was only made possible by the hard work, dedication and professionalism of our employees, our contractors and suppliers.

In August 2000, the Corporation's employees, suppliers and contractors were again put to the test after two of the engines caught fire at the Kugluktuk power plant. Once again, through commitment and excellent project management skills the Corporation was able to restore full power to the community within 31 hours of the incident. One of the damaged engines was repaired and put back into service within 7 days.

Environment

In 2000/01, the Corporation continued to implement its Environmental Management System (EMS) Strategic Plan.

Site assessments were completed at eight Corporation sites with water monitoring wells installed in conjunction with the assessments. This completed the program for the diesel generating sites in the Northwest Territories and only six sites remain to be assessed in Nunavut.

Risk assessments were completed at nine sites in 2000/01 - five in Nunavut and four in the Northwest Territories. The sites were assessed to determine potential risks to Corporation employees and neighboring residents that may result due to exposure to hydrocarbon-impacted soils at generating sites. The assessment determined that there are no human health risks to on-site Corporation personnel and that none of the sites require on-site risk management measures. Only two sites require follow-up assessment to accurately determine if minor risks exist at two off-site areas. If risk is identified, the Corporation will respond with risk management measures adequate to ensure the health and safety of neighboring residents and ecological receptors.

The Corporation operates within an open information sharing policy. As such, community consultation is an integral part of the site and risk assessment programs. In 2000/01, the Corporation shared copies of the assessment results with each community where assessment work was completed, and with the respective regulators.

The Corporation voluntarily updated the spill contingency plans for all plants to provide clear delineation of roles and responsibilities of employees when responding to environmental emergencies either on land or on water. These plans were submitted to, and approved by, Resources, Wildlife and Economic Development (RWED). In fact RWED requested permission - which was given - to use the Corporation plans as templates by other NWT industrial companies.

Environmentally safe operations instruction was incorporated into the annual operator training sessions. The focus of the training is prevention of environmental incidents in order to reduce annual occurrences. By reducing spills during operations, the Corporation protects the people and natural environments on and around its power generating sites, and reduces overall costs and risks associated with the effects of contamination and remediation.

The Corporation continued its commitment to reducing greenhouse gas emissions by participating in federal and territorial government initiatives to reduce emissions. For example, the Corporation participated in the development of the Northwest Territories Greenhouse Gas Strategy and the Canadian Council of Ministers of the Environment Canada Wide Standards for Multi-pollutant Emissions Reduction Strategy. Although the Corporation was unable to win a Voluntary Challenge & Registry (VCR) Inc. award two years in a row, the Corporation continued with efforts to reduce the production of greenhouse gases. The Corporation continued with projects that have contributed towards greenhouse gas emissions reductions in the past, including efficient diesel engines, programmable logic controllers, residual heating systems, maximizing hydro generation, transmission and distribution lines, and energy efficient lighting.

The success of our environmental program relies on the cooperative efforts of every Corporation employee. As such, the Corporation will continue to stress prevention and awareness by committing to provide employees with the training that they need to operate in an environmentally responsible manner. This includes ensuring that employees have the training and equipment to prevent environmental incidents from occurring, as well as the ability to quickly and effectively respond to an environmental emergency should one occur.

Safety

A critical safety indicator is work-related lost time accidents and the resulting employee absenteeism. The Corporation has successfully completed a further 12 months of operations without a lost time accident. This achievement reflects the commitment of all employees and the Board of Directors to working safely.

During 2000/01 the Corporation was able to enhance its safety record through the achievement of various objectives:

- The Corporation Safety Rule Book, including the Work Protection Code, was revised and updated to include new lock out and tagging procedures and confined space entry.
- The Eastern and Western Safety Managers began professional training for their Canadian Registered Safety Professional designation. The Safety Manager for Nunavut successfully completed his final examination and will receive his professional designation as a CRSP.
- Additional Plant Operator Training Programs were conducted and included work protection code, defensive driving and body logic at the Inuvik and Fort Simpson plants. Safety topics were also included in all Plant Superintendent refresher courses in the Delta, Simpson and Sahtu communities.
- The chairmen of the four Joint Occupational Health & Safety committees held their annual meeting to review the results of this year's safety performance and launch next year's safety program.
- An Electrical Safety Awareness Program was organized for elementary school children in the Baffin Region, Fort Smith, Fort Simpson, Sahtu and Delta areas.
- The Corporation developed an in-house safety video to be used when conducting the orientation program for new employees. This video can also be used as a safety refresher course for all employees.
- A safety glasses policy has been developed and implemented in Yellowknife, Inuvik and Fort Smith. It is expected that it will be Corporate wide within months.
- The Fourth Annual Pole Top Rescue competition was completed in conjunction with a Line Safety Training session in Inuvik in June.

Next year's safety objectives will expand the current program to include new initiatives. An Industrial Safety competition is to be introduced, a level two operator-training program will be developed to update present training levels and the School Safety Electrical Awareness program will be expanded to include all grade five classes within the NWT. Co-operation with the Nunavut Power Corporation will continue with respect to the Pole Top Competition, Work Protection Code, Employee Safety Handbook and the Operator Training Program.

S. Pun Chu, P. Eng
Director, Engineering and Chief Engineer

Paula Futoransky
Environmental Manager

Robert Schmidt
Safety Manager

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Management Discussion & Analysis

The following Discussion and Analysis is intended to provide an historical and prospective analysis of the Corporation with 2000/01 financial performance as the primary focus. These comments should be read in conjunction with the Consolidated Financial Statements included in this report.

Highlights

2000/01 was a year of preparing for and responding to change. A number of initiatives were undertaken this year that will affect the Corporation's future operations. Some of these initiatives impacted net income this year and others will impact net income in the future. Significant undertakings in 2000/01 included preparing for division of the Corporation into two companies effective April 1, 2001, reorganization of the Corporation's NWT operations, settling a Collective Agreement with employees in the NWT and preparing a General Rate Application that was filed May 9, 2001. Other events which were significant to the Corporation but which did not impact net income in 2000/01 were the fires in the Sanikiluaq and Kugluktuk plants, the fuel spill cleanup in Taloyoak and a change in the funding of the Public Service Superannuation Plan by the federal government.

Results of Operations

Net income for 2000/01 was $9.1 million, compared with $10.7 million in 1999/00. While electrical sales were up $2.7 million, the loss of revenue from the shut down of the high temperature hot water system and the transferring of the water and sewerage system to the Town of Inuvik negatively impacted net income. Interest income was also down substantially due to lower returns on our investments and a reduction in penalty interest. Expenditures were also up, bringing net income levels $1.6 million below the previous year. The impact in 2000/01 of settling the Collective Agreement with NWT employees and an increase in interest expense, accounts for most of the increase in expenditures over 1999/00.

Division of Power Corporation's Assets and Liabilities (Division)

The 2000/01 Financial Statements have been prepared to provide as much information as possible to the readers about the division and assumption of assets and liabilities as at March 31, 2001 between the GNWT and GN shareholders. However the Corporation has not included a balance sheet that specifically allocates the assets, liabilities and retained earnings to the two shareholders. This approach has been adopted in consideration of the ongoing due diligence and implementation of the March 1999 Transition Agreement and the March 2001 Transfer of Interests Agreement between the GNWT and GN which is expected to be completed by October 31, 2001. Note 18, Subsequent Events to the Financial Statements provides additional information about the division of the Corporation as at April 1, 2001.

Revenues

Electric sales increased $2.7 million (2.8%) over the previous fiscal year. Declines in industrial revenues were offset by increases in commercial and domestic revenues. Industrial revenues decreased 5.3% compared to 1999/00 as a result of two events –

1) Giant Mine's production continued to decline throughout the year, and 2) high water levels enabled Miramar's Bluefish Hydro Plant to generate 10GWh more than 1999/00, decreasing sales to Miramar Con Mine. Revenue from sales to commercial and domestic customers was up, 5.2% and 1.8% respectively, over the prior year, with continued growth in Nunavut due to expansion and development of Iqaluit and other major centres in the territory and in NWT commercial growth from oil and gas development in Inuvik and Fort Liard.

The average sale price increased to 23.9¢/kWh, compared to 23.2¢/kWh for 1999/00, as a result of the change in the mix of sales by customer class. Previously commercial and domestic sales represented 48.7% of total sales. In 2000/01 the increase in total sales attributed to these two customer classes increased by 29.0% to 77.8% of total sales.

With the shut down of the high temperature hot water system and the transfer of water and sewerage to the Town of Inuvik, the Corporation's other revenue was $2.0 million less than 1999/00. The net effect on total revenue was an increase of $0.6 million over the previous year.

Legislation to allow for broadened investment by the Corporation was passed by the GNWT in 2000/01 but it has not yet been enacted. The Corporation has approved a new sinking fund investment policy in anticipation of this legislation being enacted in the summer of 2001. The investments made by the Corporation will be used to retire long-term debt. At present the Corporation is holding these investments in conservative short-term issues, pending the enactment of the amended legislation.

Electric Sales by Customer Class

	Electric Revenues ($ Million)			Electric Sales (GWh)*		
Customer Class	2001	2000	% Change	2001	2000	% Change
Commercial	42.6	40.5	5.2	120.1	114.3	5.1
Domestic	34.4	33.8	1.8	87.5	85.8	2.0
Wholesale	16.6	16.5	0.6	175.2	175.9	(0.4)
Industrial	3.6	3.8	(5.3)	27.6	32.9	(16.1)
Streetlights	1.9	1.8	5.6	3.7	3.8	(2.6)
TOTAL	99.1	96.4	2.8	414.1	412.7	0.3

Electric Sales by Region

	Electric Revenues ($ Million)			Electric Sales (GWh)*		
	2001	2000	% Change	2001	2000	% Change
NWT	50.4	49.9	1.0	298.0	302.9	(2.6)
Nunavut	48.7	46.5	4.7	116.1	109.8	5.7
TOTAL	99.1	96.4	2.8	414.1	412.7	0.3

* Sales restated to exclude sales to NTPC

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Revenues

Electric sales increased $2.7 million (2.8%) over the previous fiscal year. Declines in industrial revenues were offset by increases in commercial and domestic revenues. Industrial revenues decreased 5.3% compared to 1999/00 as a result of two events –

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The average sale price increased to 23.9¢/kWh, compared to 23.2¢/kWh for 1999/00, as a result of the change in the mix of sales by customer class. Previously commercial and domestic sales represented 48.7% of total sales. In 2000/01 the increase in total sales attributed to these two customer classes increased by 29.0% to 77.8% of total sales.

With the shut down of the high temperature hot water system and the transfer of water and sewerage to the Town of Inuvik, the Corporation's other revenue was $2.0 million less than 1999/00. The net effect on total revenue was an increase of $0.6 million over the previous year.

Legislation to allow for broadened investment by the Corporation was passed by the GNWT in 2000/01 but it has not yet been enacted. The Corporation has approved a new sinking fund investment policy in anticipation of this legislation being enacted in the summer of 2001. The investments made by the Corporation will be used to retire long-term debt. At present the Corporation is holding these investments in conservative short-term issues, pending the enactment of the amended legislation.

Electric Sales by Customer Class

	Electric Revenues ($ Million)			Electric Sales (GWh)*		
Customer Class	2001	2000	% Change	2001	2000	% Change
Commercial	42.6	40.5	5.2	120.1	114.3	5.1
Domestic	34.4	33.8	1.8	87.5	85.8	2.0
Wholesale	16.6	16.5	0.6	175.2	175.9	(0.4)
Industrial	3.6	3.8	(5.3)	27.6	32.9	(16.1)
Streetlights	1.9	1.8	5.6	3.7	3.8	(2.6)
TOTAL	99.1	96.4	2.8	414.1	412.7	0.3

Electric Sales by Region

	Electric Revenues ($ Million)			Electric Sales (GWh)*		
	2001	2000	% Change	2001	2000	% Change
NWT	50.4	49.9	1.0	298.0	302.9	(2.6)
Nunavut	48.7	46.5	4.7	116.1	109.8	5.7
TOTAL	99.1	96.4	2.8	414.1	412.7	0.3

* Sales restated to exclude sales to NTPC

Expenditures

Operating expenditures (excluding amortization and interest expense) totaled $70.0 million, a minimal increase of $0.3 million (0.4%) over the previous fiscal year. Although the variance between the two years is minimal, significant changes have occurred in the Corporation's expenditures in 2000/01 compared to those made in 1999/00.

In 1999/00 $1.4 million of operating expenditures were attributed to Year 2000 initiatives and expenditures related to the division of the Corporation into two entities. Settlement of Collective Agreements and increased fuel consumption were major contributors in maintaining 2000/01 costs at 1999/00 levels.

In 2000/01 the Corporation negotiated a Collective Agreement with its workers in the NWT (the Collective Agreement with workers in Nunavut was reached in 1999/00). This Agreement provided for retroactive increases in 1999/00 that were larger than had been anticipated. Collective Agreements for employees in the NWT and Nunavut (reached in December 1999) provide for an increase to salaries in the calendar year of 2000 of 3%. The Nunavut Employees Collective Agreement also provided for new Assistant Plant Operator positions. These positions were filled late in 1999/00. Salary and wage increases due to the Collective Agreements were offset by a decrease in employees as a result of the loss of water and sewage services and the high temperature hot water system in Inuvik and as a result of preparations for Division on April 1, 2001.

Increases in fuel costs were also a main component of the 2000/01 expenditures. Although the cost of fuel worldwide continued to increase in 2000/01, the impact of increasing fuel prices in most communities is not reflected in the Corporation's statement of earnings. Changes in fuel price for diesel communities are accounted for through the Corporation's Rate Stabilization Funds. The increase in fuel cost for diesel communities is a result of an increase in consumption due to increased commercial and domestic usage from the continued development in Nunavut and oil and gas exploration in Inuvik and Fort Liard.

To review the Corporation's insurance coverage and its risk profile, a Risk Management Committee was struck in 2000/01. The following actions have been taken in 2000/01 or planned for future years as a result of the Committee's work:

- The Corporation's Statement of Values was updated to reflect present day loss potential.
- Annual limits, deductibles, scope of coverage, etc. were reviewed as part of the overall insurance renewal for 2001/02. This review will continue annually.
- Limits on reserve for injuries and damages were reviewed and PUB approval for new limits is being sought as part of the 2001/03 GRA.
- The Corporation's risk with respect to contracts is under review.
- A Risk Management Policy is to be drafted and will be ratified annually.
- An insurance inspection tour of selected NTPC facilities was completed in June 2001.

Change in Accounting Estimates and Policies

In 2000/01 the Corporation changed its accounting policy for employee termination benefits. Employee termination benefits include termination, retirement and ultimate removal benefits. In previous years the Corporation has accrued for termination benefits as employees became eligible for these

benefits, not as employees rendered service. In keeping with changes to the recommendations of the Canadian Institute of Chartered Accountants, the Corporation has accrued termination benefits in 2000/01 based on the service rendered by employees and management's best estimate of the employees' future eligibility for these benefits.

This change has been applied retroactively, without restatement of prior years. The impact on the 2001 financial statements is a reduction in opening retained earnings of $566 thousand with an increase in employee termination benefits and no impact to net income. Depending on management's estimates of termination benefits in future years, this change in accounting policy may or may not have an impact on net income in future years.

2001/03 General Rate Application

On May 9, 2001 the Corporation submitted Phase I of a General Rate Application (GRA) for the Test Years 2001/02 and 2002/03. The Application identifies a revenue requirement deficiency of $16.3 million for 2001/02. The Corporation is anticipating a decision from the PUB on the Phase I revenue requirement by the end of the calendar year. The 2001/02 and 2002/03 Revenue Requirements account for a number of changes since the last Phase I including:

- Fuel

  The average per litre fuel price has increased by over 60% since the last GRA that related to the 1997/98 Test Year. Although the Corporation has been able to reduce its dependency on diesel fuel, the market price of fuel has risen significantly over the last few years. During this time the Corporation has recovered the additional cost from customers through the Fuel Stabilization Fund that was established in the last GRA.

- Depreciation

  In the PUB's Decision arising from the last GRA, the Corporation was directed to complete a new depreciation study in five year's time. The Corporation has completed a study of its depreciation and the results are reflected in the current Application. New rates of depreciation have contributed to the overall revenue requirement shortfall. As well, additions to capital over the period, adds to the overall value of the Corporation's rate base and increases depreciation expense.

- Operations

  Inflation has increased the overall cost of doing business since the Corporation's last GRA. As well, because of Division and the subsequent loss of the Nunavut customer base, there are now fewer customers to share the cost of services that benefit all customers but are not specific to any one community.

- Reduction in sales

  Projected sales of electricity in the NWT are significantly lower than forecast at the last GRA in 1995/98. Economic growth in the region has not happened as previously anticipated and no substantial future growth in electricity sales is forecast for the two Test Years.

In conjunction with filing the Phase I GRA for the Test Years 2001/02 and 2002/03, the Corporation also applied for interim refundable rates until the PUB makes its decision on rates in Phase II of the Application. Interim refundable rates were approved June 25, 2001 and will become effective July 1, 2001. The Corporation expects to collect an additional $5 million from the interim refundable rates to offset increased expenses in 2001/02.

Financing Costs

Financing costs increased $1.2 million (9.8%). This was due to increased borrowings to finance the $20.4 million capital plan. During the year $20 million in short-term debt was replaced by a floating rate Capital Loan Facility. During 2001/02 it is anticipated that the floating rate will be converted to a fixed rate.

Liquidity and Capital Resources

Cash Flows in General

Cash flows from operating activities were $15 million lower than last year. This coupled with the capital plan resulted in the Corporation increasing its debt by $22.4 million.

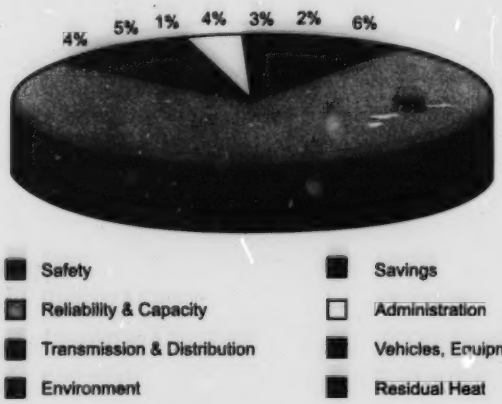
Capital Expenditures

Capital expenditures for 2000/01 totaled $21.9 million (1999/00 capital expenditures were $21.4 million) and the majority (75%) of these expenditures were made to maintain or improve the reliability and capacity of the Corporation's plants.

$2.2 million of capital expenditures in 2000/01 was spent on completing a number of major capital projects started in the previous year such as lightning protection work on the Yellowknife/Snare system transmission line, construction of a modular power plant in Paulatuk, a tank farm upgrade in Deline, a study of the Snare Water License Requirements, a powerhouse upgrade in Repulse Bay and various smaller projects. $5.0 million was spent in 2000/01 on two capital projects that are forecast to be completed by Nunavut Power Corporation in 2001/02 –construction of new powerhouses in Sanikiluaq and Clyde River. The remaining $14.8 million in capital expenditures was for capital projects initiated and completed in 2000/01. The largest project initiated and completed in 2000/01 was the upgrade and redesign of the generating plant in Iqaluit. This upgrade included the addition of 4.3MW of generation to meet the increasing demand for electricity in Nunavut's capital.

The 2001/02 capital program for the Northwest Territories is budgeted at $5.9 million. This includes upgrades and remediation to the Snare Hydro system, installation of engines in Colville Lake and Nahanni Butte, repairs to the transformer at Pine Point and the purchase of two emergency generators.

2000/01 CAPITAL EXPENDITURES BY CATEGORY



Rate Stabilization Funds

The Corporation has six stabilization funds – two water funds and four fuel stabilization funds. These funds were approved in January 1997 by the PUB to mitigate the impact on utility rates of unexpected changes in fuel prices, changes from average water levels and fluctuations in hydro generation. The balance in the funds are accounted for by excesses and deficiencies in fuel price and water levels, which accumulate until specified limits are reached, at which time riders are applied to bring the funds to approved levels.

Due to an increase in world fuel prices, the Diesel Communities Fuel Stabilization Fund balance, reached its $2 million trigger in the first quarter of 2000/01. A rider of 3.4¢/kWh was applied to all customers in the fund effective June 2000. As a result of fuel prices continuing to rise, the Diesel Communities Fuel Stabilization Fund balance, rose faster than the balance was being drawn down with the existing rider, therefore the PUB approved a rider increase in December to 9.9¢/kWh for NWT customers only. In preparation for transferring the assets and responsibilities of the Corporation's operation in Nunavut to the Nunavut Government, the GN decided that customers in Nunavut would not be subject to the 6.5¢/kWh increase in the rate rider and the Corporation continued to collect 3.4¢/kWh from these customers against the balance in the Diesel Communities Fuel Stabilization Fund. The NWT rider was terminated in April 2001.

The Norman Wells Diesel Stabilization Fund hit its $100 thousand trigger in the second quarter of 2000/01. A rider of 2.72¢/kWh was approved by the PUB for September 2000. As with the Diesel Communities Fuel Stabilization, the world price of fuel continued to rise in 2000/01 such that the fund balance was growing faster than the fund was being drawn down and the PUB approved a rider increase for February 2001 to 7.57¢/kWh. The Corporation continues to collect this rider in the 2001/02. The rider amount will be adjusted downward once interim rates are in place and will be terminated once the Fund's balance reaches the approved level.

Neither the Snare/Yellowknife water or diesel rate stabilization funds hit their trigger amounts during the 2000/01 fiscal year nor is it anticipated these funds will exceed their trigger amounts in 2001/02.

2001/02 Forecast

The Corporation anticipates earning a full return on equity in 2001/02. In heading towards this goal the Corporation will be undertaking the following:

- submitting a GRA in May 2001 and obtaining a PUB decision on Phase I of the revenue requirement
- fulfilling the Corporation's obligations under its Engineering Services contract with the Nunavut Power Corporation
- assisting in the process of dividing the assets and liabilities of the Corporation between the NWT and Nunavut
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- strengthening communications and relationships with the Corporation's customers
- evaluating new technology that has the promise to reduce costs, reduce overhead, or improve efficiency

Key Financial Targets and Ratios

The Corporation has identified several key indicators against which to measure corporate performance, as follows:

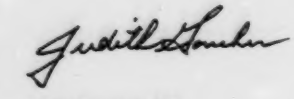
	Target	2001	2000	1999
Total Return on Regulated Equity	10.0%	8.2%	10.0%	11.2%
Debt/Debt+ Equity Ratio	55/45	59/41	57/43	55/45
Plant Efficiency (kWh/litre)*	3.58	3.59	3.59	3.60

*Plant efficiencies have been restated and no longer include the diesel engines in Inuvik

Total Return on Regulated Equity (RORE) is a measurement of the relationship between profit and equity invested in the Corporation. In 2000/01, this ratio decreased as a result of changes in net income and equity. Net income decreased as a result of increased salary and wages costs and an increase in interest costs. The increase in equity was dampened as a result of changes in the Corporation's accounting policy with respect to accounting for termination benefits based on service rather than as employee earned benefits, as was done in prior years.

Debt/Debt+Equity Ratio measures the amount of debt the Corporation has as compared to the equity invested in the Corporation. The Corporation is striving towards a long-term target of 50 to 55% debt compared to 45 to 50% equity. For the fiscal year 2000/01, a ratio of 59/41 was achieved. The amount of debt compared to equity increased over the previous year due to the size of the capital program.

Plant Efficiency measures the number of diesel kWh generated per litre of fuel consumed. This efficiency ratio is instrumental in the setting of rates. The efficiency ratio for prior years has been restated to exclude changes in the operations in Inuvik. In 1999/00 gas engines were installed in Inuvik. These highly efficient engines are not directly comparable to diesel engine efficiencies and thus have been excluded from the calculation. The plant efficiency ratio shown above is based on diesel production only. For the third year in a row, the Corporation has exceeded its plant efficiency target of 3.58kWh/litre, thus reducing its fuel consumption per kWh of electricity generated.



Judith Goucher, MA
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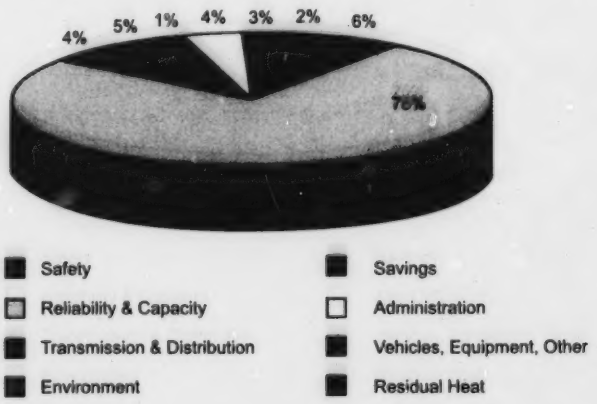

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Judith Goucher, MA
Director, Finance & CFO

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility for Financial Reporting

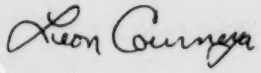
The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Power Corporation is regulated by the Public Utilities Boards of the Northwest Territories and Nunavut, which also examines and approves its accounting policies and practices. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further the Corporation's aims, are protected from loss or unauthorized use and that the Corporation acts in accordance with the laws of the Northwest Territories, Nunavut and Canada. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a territorial corporation. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

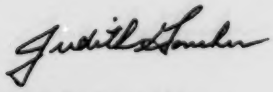
The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the consolidated financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

The Board of Directors appoints certain members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and free access to the Audit and Efficiency Committee.

The consolidated financial statements have been approved by the Board of Directors.



Leon Courneya, FCA
President & CEO



Judith Goucher, MA
Director, Finance & CFO

Hay River, NT
May 25, 2001

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Ministers responsible for the Northwest Territories Power Corporation

I have audited the consolidated balance sheet of the Northwest Territories Power Corporation as at March 31, 2001 and the consolidated statements of earnings and retained earnings, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, except for the change in the method of accounting for employee future benefits as explained in Note 5 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and its wholly-owned subsidiaries and the consolidated financial statements are in agreement therewith and the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, *the Northwest Territories Power Corporation Act*, Part II of the *Nunavut Power Utilities Act* and the by-laws of the Corporation and its wholly-owned subsidiaries.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 25, 2001

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

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Consolidated Statement of Earnings and Retained Earnings
For the year ended March 31, 2001
($000's)

	2001	2000
Revenues		
Sale of power	$ 99,078	$ 96,356
Other (Note 3)	3,020	5,063
	102,098	101,419
Expenses		
Fuel and lubricants	26,187	25,822
Salaries and wages	24,439	23,546
Supplies and services	15,787	16,750
Amortization of capital assets	9,760	8,875
Travel and accommodation	3,549	3,603
Amortization of deferred charges	202	225
	79,924	78,821
Earnings from operations	22,174	22,598
Interest income	838	1,408
Earnings before interest expense	23,012	24,006
Interest expense (Note 4)	14,663	14,031
Allowance for funds used during construction	(740)	(701)
	13,923	13,330
Net earnings	9,089	10,676
Retained earnings at beginning of period	67,426	62,989
Change in accounting policy – Employee Future Benefits (Note 5)	(566)	
Restated retained earnings at beginning of period	66,860	73,665
Dividends (Note 6)	6,368	6,239
Retained earnings at end of period	$ 69,581	$ 67,426

See accompanying notes

Consolidated Cash Flow Statement
For the year ended March 31, 2001
($000's)

	2001	2000
Cash flows from operating activities		
Cash receipts from customers	$ 96,240	$ 102,017
Cash paid to suppliers and employees	(76,990)	(70,016)
Interest received	838	1,408
Interest paid	(14,459)	(13,823)
Cash flows from operating activities	5,629	19,586
Cash flows used in investing activities		
Purchase of capital assets	(20,395)	(21,427)
Proceeds from insurance	1,581	-
Proceeds from sale of capital assets	-	49
Cash flows used in investing activities	(18,814)	(21,378)
Cash flows from financing activities		
Proceeds from long term borrowings	20,000	-
Net proceeds from short term borrowings	2,360	19,071
Repayment of net lease obligation	(188)	(208)
Sinking fund installments	(3,228)	(3,362)
Repayment of long term debt	(336)	(395)
Dividend paid	(6,368)	(12,842)
Cash flows from financing activities	12,240	2,264
Net increase (decrease) in cash and short-term investments	(945)	472
Cash and short-term investments at beginning of period	1,184	712
Cash and short-term investments at end of period	$ 239	$ 1,184

See accompanying notes

Consolidated Statement of Earnings and Retained Earnings
For the year ended March 31, 2001
($000's)

	2001	2000
Revenues		
Sale of power	$ 99,078	$ 96,356
Other (Note 3)	3,020	5,063
	102,098	101,419
Expenses		
Fuel and lubricants	26,187	25,822
Salaries and wages	24,439	23,546
Supplies and services	15,787	16,750
Amortization of capital assets	9,760	8,875
Travel and accommodation	3,549	3,603
Amortization of deferred charges	202	225
	79,924	78,821
Earnings from operations	22,174	22,598
Interest income	838	1,408
Earnings before interest expense	23,012	24,006
Interest expense (Note 4)	14,663	14,031
Allowance for funds used during construction	(740)	(701)
	13,923	13,330
Net earnings	9,089	10,676
Retained earnings at beginning of period	67,426	62,989
Change in accounting policy – Employee Future Benefits (Note 5)	(566)	
Restated retained earnings at beginning of period	66,860	73,665
Dividends (Note 6)	6,368	6,239
Retained earnings at end of period	$ 69,581	$ 67,426

See accompanying notes

Consolidated Cash Flow Statement
For the year ended March 31, 2001
($000's)

	2001	2000
Cash flows from operating activities		
Cash receipts from customers	$ 96,240	$ 102,017
Cash paid to suppliers and employees	(76,990)	(70,016)
Interest received	838	1,408
Interest paid	(14,459)	(13,823)
Cash flows from operating activities	5,629	19,586
Cash flows used in investing activities		
Purchase of capital assets	(20,395)	(21,427)
Proceeds from insurance	1,581	-
Proceeds from sale of capital assets	-	49
Cash flows used in investing activities	(18,814)	(21,378)
Cash flows from financing activities		
Proceeds from long term borrowings	20,000	-
Net proceeds from short term borrowings	2,360	19,071
Repayment of net lease obligation	(188)	(208)
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Cash and short-term investments at beginning of period	1,184	712
Cash and short-term investments at end of period	$ 239	$ 1,184

See accompanying notes

Consolidated Balance Sheet
As at March 31, 2001
($000's)

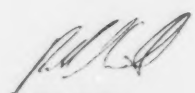
	2001	2000
Assets		
Capital assets (Note 7)		
Capital assets in service	$ 396,860	$ 390,534
Less accumulated amortization	(96,095)	(100,429)
	300,765	290,105
Construction work in progress	3,791	3,704
	304,556	293,809
Current assets		
Cash and short-term investments	239	1,184
Accounts receivable	19,965	16,632
Prepaid expenses	1,170	2,114
Inventories	16,153	12,828
	37,527	32,758
Other assets		
Deferred charges and other assets (Note 8)	9,765	7,542
Sinking fund investments (Note 9)	14,746	11,518
	24,511	19,060
	$ 366,594	$ 345,627
Liabilities and Shareholder's Equity		
Long-term debt		
Long-term debt (Note 10)	$ 149,096	$ 129,346
Net lease obligation (Note 11)	2,050	2,238
	151,146	131,584
Current liabilities		
Bank indebtedness and short-term debt (Note 12)	26,576	24,216
Accounts payable and accrued liabilities	14,499	17,045
Capital Replacement Reserve Fund (Note 13)	-	2,525
Current portion of long-term debt (Note 10)	249	335
	41,324	44,121
Other liabilities		
Future removal and site restoration provision (Note 14)	49,102	48,237
Deferred credits and other liabilities (Note 15)	12,312	11,130
	61,414	59,367
Shareholder's equity (Note 16)	112,710	110,555
	$ 366,594	$ 345,627

Commitments & contingencies (Notes 17 and 21)
Subsequent event (Notes 10 and 18)

See accompanying notes

Approved on behalf of the Board:

Gordon Stewart
Chairman of the Board



Tom Zubko
Director

FINANCIAL STATEMENT

Consolidated Balance Sheet
As at March 31, 2001
($000's)

	2001	2000
Assets		
Capital assets (Note 7)		
Capital assets in service	$ 396,860	$ 390,534
Less accumulated amortization	(96,095)	(100,429)
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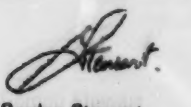
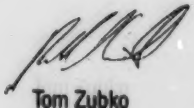


Gordon Stewart
Chairman of the Board



Tom Zubko
Director

1. Authority and Operation

The Corporation was established under the *Northwest Territories Power Corporation Act*. The Corporation is a territorial corporation under Schedule B of the Financial Administration Act and is exempt from income tax.

The Corporation operates diesel, natural gas and hydroelectric production facilities to provide utility services on a self-sustaining basis in the Northwest Territories and Nunavut. The Corporation is regulated by the Public Utilities Boards of the Northwest Territories and Nunavut (PUB).

2. Accounting policies

The Corporation is regulated by the PUB, which administers regulations covering such matters as rates, financing, accounting, construction, operation, and service area.

The regulatory accounting policies adopted by the Corporation may differ from the accounting policies typically followed by unregulated entities. In particular, the timing of the Corporation's recognition of certain assets, liabilities, revenues and expenses may differ from that normally prescribed by Canadian generally accepted accounting principles. Specifically in relation to deferred charges and other assets and amortization policies. A summary of the significant accounting policies follows:

Rates and regulation (Excluding sales by subsidiaries)

The rates charged to all customers and the Corporation's earnings on a rate of return basis are regulated by the PUB. The PUB sits as often as it considers necessary and is required by the *Public Utilities Act* to review the affairs, earnings and accounts of the Corporation every three years or at any other time. On May 9, 2001 the Corporation filed an application for the 2001/02 and the 2002/03 fiscal years with the PUB. As part of the review of this application the PUB may award interim rates, subject to final determination. The regulatory treatment of unforeseen significant expenditures and the impact on rates will be examined when the Corporation files amended rate schedules and will take into account any recoveries from third parties.

Consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Corporation and its wholly-owned subsidiaries NWT Energy Corporation Ltd., and 923204 N.W.T. Ltd.

NWT Energy Corporation Ltd., under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation for the construction of a 4.3 MW hydro facility. 923204 N.W.T. Ltd. operates and manages one residual heat project in Fort McPherson.

Revenue

Utility revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Pension expense

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the Plan have been limited to an amount equal to the employees' contributions on account of current services. Effective April 1, 2000 the Corporation's contributions increased to an amount more closely reflecting the full cost of the employer contributions. This amount, expressed as a percentage of employee contributions, will fluctuate from year to year depending on the experience of the Plan. The Corporation's contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account. The Corporation's current year's pension expense is $1,909 (2000 – $932).

The Corporation has received temporary funding from the Government of the Northwest Territories of $878 during the year (2000 – nil) to offset the increased pension costs as of April 1, 2000. This additional funding has been netted against pension expense and will be provided until March 31, 2004.

Capital assets

Capital assets, excluding those donated to the Corporation, are recorded at original cost and include materials, direct labour and a proportionate share of overhead costs and an allowance for funds used during construction which provides for a return on capital at a rate approved by the PUB.

Capital assets donated to the Corporation are recorded at their estimated fair value.

Amortization

Amortization of capital assets is provided on the straight-line average group useful life basis, at rates which are approved by the PUB, a portion of which is accounted for as a provision for future removal and site restoration costs.

In accordance with utility accounting practices, retirement of these assets is charged to the provision with no gain or losses reflected in operations. Gains or losses arising from exceptional circumstances are included in earnings.

Amortization rates are as follows:

Electric power plants	1.3 – 5.2%
Transmission and distribution systems	1.9 – 5.0%
Warehouse, equipment, motor vehicles and general facilities	2.6 – 9.9%
Other utility assets	5.0%
Other	20.0%

Inventories

Fuel and lubricants and materials and supplies are valued at average cost.

Deferred charges and other assets

The Snare Cascades Deferral Account was approved by the PUB in 1996 to ease the impact on utility rates resulting from the Snare Cascade project being added to the rate base. The additional costs of the asset, net of savings from displaced diesel generation, are deferred until 2001, to be amortized over the following ten years.

The Reserve for Injuries and Damages, approved by the PUB, represents emergency repairs to equipment, which have not been included in the revenue requirement to date. The balance in the Reserve represents amounts to be included in the revenue requirement for future years. Financing costs relating to the issue of long-term debt are amortized on a straight-line basis over the remaining term of the related debt. Regulatory costs are amortized on a straight-line basis over a period not exceeding five years.

In January 1997, the PUB approved the establishment of water and fuel rate stabilization funds to mitigate the impact on utility rates of unexpected changes in fuel prices, changes from average water levels and fluctuations in hydro generation. The balance in the funds are accounted for by excesses and deficiencies in fuel price and water levels, which accumulate until specified limits are reached, at which time riders are applied to bring the funds to approved levels.

Sinking fund investments

The Corporation records sinking fund investments at amortized acquisition cost. Any discount or premium arising on purchase is amortized over the period to maturity. As a result of the amortization, earnings from the investment reflect the yield based on purchase costs, not on coupon rates, and the carrying value of the investments are adjusted systematically, over the period they are held, toward the amount expected to be realized at maturity.

Future removal and site restoration provision

The provision for future removal and site restoration reflects the estimated cost of retiring the assets of the Corporation, net of salvage value. These costs are amortized over the estimated useful lives of the related assets on a straight-line average group useful life basis. Due to the long-term nature of the assumptions made in deriving these estimates, the provision is periodically revised and updated for current information.

Deferred credits

Deferred credits reflect donations of assets and contributions to aid in the construction and acquisition of capital assets, and are amortized on the same basis as the related capital assets, and the resulting credit is offset against the corresponding provision for amortization of capital assets.

Measurement uncertainty

To prepare these financial statements in accordance with Canadian generally accepted accounting principles, management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

3. Other Revenue

	2001	2000
Insurance proceeds	$ 1,090	$ 100
User fees	834	817
Contract work	392	608
Connection fees	327	326
Heat	291	1,582
Miscellaneous	86	482
Water and sewer	-	1,148
	$ 3,020	$ 5,063

4. Interest expense

	2001	2000
Interest on long-term debt:		
Sinking fund debentures	$ 10,509	$ 10,209
Debentures	2,312	2,338
Capital lease	17	368
	12,838	12,915
Other interest	1,825	1,116
	$ 14,663	$ 14,031

5. Change in accounting policy - Employee Future Benefits

Effective April 1, 2000, the Corporation implemented accrual accounting for employee future benefits, whereby the expected cost of providing these benefits is recognized as employees render service, as required by new recommendations of the Canadian Institute of Chartered Accountants. Previously, these costs were charged to operations as benefits were incurred, with the exception of retiring and termination allowances which were accrued as employees became eligible to retire. The cost of employee future benefits has been determined for accounting purposes based on assumptions that reflect management's best estimates of the effect of future events on the present value of the accrued benefits. This change has been applied retroactively, without restatement of prior years. Management's estimate of the value of the accrued benefits as at March 31, 2000 and at March 31, 2001 were not significantly different. Accordingly, the impact on the 2001 financial statements is a reduction in opening retained earnings of $566 with an increase in employee termination benefits and no impact to net income.

6. Dividend

The Corporation declared a dividend of $6,368 (2000 - $6,239) to the Governments of the Northwest Territories and Nunavut.

7. Capital assets

	Cost	2001 Accumulated Amortization	2001 Net Book Value	2000 Net Book Value
Electric power plants	$ 279,209	$ (69,247)	$ 209,962	$ 200,853
Transmission and distribution systems	80,429	(11,851)	68,578	68,876
Warehouse, equipment, motor vehicles and general facilities	26,943	(11,111)	15,832	15,829
Other utility assets	6,320	(359)	5,961	3,970
Other	3,791	(3,527)	432	577
	396,860	(96,095)	300,765	290,105
Construction work in progress	3,791		3,791	3,704
	$ 400,651	$ (96,095)	$ 304,556	$ 293,809

Engineering and general administration expense capitalized during the year amounted to $2,053 (2000 - $1,921). Allowance for funds used during construction capitalized during the year amounted to $331 (2000 - $380).

8. Deferred charges and other assets

	2001	2000
Snare Cascades Deferral Account	$ 4,218	$ 3,735
Regulatory costs	637	48
Financing costs	579	602
Other	504	715
Total deferred charges	5,938	5,100
Rate stabilization funds	2,152	752
Reserve for Injuries and Damages	1,318	982
Insurance claims	339	628
Other	18	80
	$ 9,765	$ 7,542

The rate stabilization funds are comprised of fuel $3,908 (2000 - $1,756) and water $(1,756) (2000 - $(1,004)). During the year fuel stabilization rate riders of $4,910Z(2000-nil) were charged to customers. These amounts were credited directly to the fuel rate stabilization fund to offset the unexpected increase in fuel, prices.

9. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. These investments consist of securities and short-term investments issued or guaranteed by the municipal, provincial, or federal governments of Canada, and paper issued by approved banks.

The sinking fund agreement requires the Corporation to make minimum annual installments. The installments required for the next five years are disclosed in Note 10

	2001		2000	
	Carrying Value	Weighted average effective rate	Carrying Value	Weighted average effective rate
Cash & short-term investments	$ 9,771	0.15%	$ 583	0.25%
Bank paper	4,178	4.70%	-	-
Provincial Government guaranteed	519	5.11%	521	6.45%
Federal Government guaranteed	229	5.96%	10,365	5.72%
Municipal Government guaranteed	49	6.12%	49	6.85%
	$ 14,746	1.72%	$ 11,518	5.50%

Fair value information for sinking funds is included in Note 20.

The Corporation invests in a conservative short–term investment fund which is restricted by the *Financial Administration Act* to investments of very low risk. All instruments, depending on the investment class are rated R-1 Mid from the Dominion Bond Rating Service or A-1 + or better from the Canadian Bond Rating Service. The average term of the fund will generally be less than 90 days. Investments earned an average of 4.0% (2000 – 6.4%) interest.

10. Long-term debt

	2001	2000
11% sinking fund debentures, due March 9, 2009	$ 20,000	$ 20,000
11 1/8% sinking fund debentures, due June 6, 2011	15,000	15,000
10 3/4% sinking fund debentures, due May 28, 2012	20,000	20,000
9 3/8% redeemable sinking fund debentures, due May 12, 2014	20,000	20,000
6.33% redeemable sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% redeemable sinking fund debentures, due February 27, 2026	20,000	20,000

Floating rate capital loan facility, (interest March 31, 2001 – 5.16%) due November 6, 2005, repayable interest only until November 2002	20,000	-
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of $70	7,642	7,714
9 3/4% debenture series 2, due October 1, 2025 repayable in equal monthly payments of $69	7,661	7,733
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of $73.	8,667	8,751
6.5% Canada's Northwest Territories Government Aurora Fund (1996) 923204 N.W.T. Ltd.'s portion representing 50%, due December 2002	375	375
Other	-	108
	149,345	129,681
Less: Current portion	249	335
	$ 149,096	$ 129,346

All long-term debt is guaranteed by the Government of the Northwest Territories. Certain debentures are redeemable within the specific terms of the debenture.

Principal repayments and estimated sinking fund investment requirements for the next five years:

	Principal Repayments	Sinking Fund Investment Requirements
2002	249	2,853
2003	1,101	2,842
2004	1,168	3,074
2005	19,099	3,074
2006	365	3,438

On April 23, 2001 the Corporation gave notice of its intention to redeem long-term debt equivalent to the amount owed by the Nunavut Power Corporation in accordance with the Transition Agreement and the Transfer of Interests Agreement. On May 28, 2001, the Corporation will redeem all of the 9 3/8% debenture, due May 12, 2014 and $11.3 million of the 8.41% debenture, due February 27, 2026.

As the total amount redeemed will be paid by the Nunavut Power Corporation, these amounts have not been reclassified as current portion.

11. Net lease obligation

The NWT Energy Corporation Ltd. loaned funds in 1994/95 through 1996/97 to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories. The balance of the loan receivable is $22,238 (2000 - $22,434).

The loan bears interest at an annual rate of 9.6% which is the average rate of interest on NWT Energy Corporation Ltd.'s long term debt issued to finance the loan. It will be repaid over a 30-year period which commenced in August 1996, with monthly payments including interest of $195. The loan is secured by a charge against the plant and the lease agreement.

Upon completion of construction in August 1996, the NWT Power Corporation leased the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation for 65 years. The value of the capital lease obligation is $24,478 (2000 - $24,881).

To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants in capital assets at a cost of $26,342.

Upon consolidation, the loan receivable held by NWT Energy Corporation Ltd. is offset with the capital lease obligation of the Corporation resulting in a net lease obligation of $2,050 (2000 - $2,238).

The net lease obligation will decrease by the following amounts over the next five years:

2002	188
2003	166
2004	142
2005	116
2006	87

12. Bank indebtedness and short–term debt

	2001	2000
Banker's Acceptance	$ 19,500	$ 18,000
Bank overdraft	7,076	6,216
	$ 26,576	$ 24,216

The interest rate charged on bank overdrafts is prime. The Banker's Acceptance outstanding at year end range from terms of 34 days to 91 days and the weighted average annual interest rate is 5.32%.

13. Capital Replacement Reserve Fund

This amount represented funds held for capital repairs to the water and sewer system in the Town of Inuvik. The Corporation operated the utility on behalf of the Town of Inuvik, who took over the operations of the utilidor system in April 2000, at which time the balance of the fund was turned over to the Town.

14. Future removal and site restoration provision

The provision for the year, included in amortization of capital assets is $1,523 (2000 - $1,479) and the amount spent is $658 (2000 - $656).

15. Deferred credits and other liabilities

	2001	2000
Donations in aid of construction	$ 10,682	$ 10,001
Employee termination benefits	1,630	1,129
	$ 12,312	$ 11,130

Employee termination benefits include termination, retirement and ultimate removal benefits. Termination benefits are earned by certain employees as a condition of their employment, and are based upon years of service.

16. Shareholder's equity

	2001	2000
Capital Stock		
Authorized: unlimited number of voting common shares without par value		
Issued: 431,288 common shares	$ 43,129	$ 43,129
Retained earnings	69,581	67,426
	$ 112,710	$ 110,555

17. Commitments and contingencies

Capital projects

The estimated cost to complete capital projects in progress as at March 31, 2001, was $2,851 (2000 - $12,126).

Operating leases

The Corporation has leased property and equipment under various long-term operating leases. The minimum annual payments for these leases are as follows:

	NWT	Nunavut
2002	$ 278	$ 229
2003	205	133
2004	107	68
2005	35	3
2006	3	3
2007 – 2038	17	53
	$ 645	$ 489

Supply contracts

The Corporation has entered into contracts to purchase refined oil products. The contracts extend to October 2001, reflect minimum purchase commitments of 37,990,000 litres consistent with the Corporation's operational requirements, and are based on market prices, at time of delivery.

Loan guarantee

The Corporation has guaranteed a loan made by the Aurora Fund to Aadrii Limited in the total amount of $750. This guarantee has been made jointly and severally with another party.

Natural gas purchase commitment

The Corporation has entered into an agreement to purchase natural gas to produce electricity in Inuvik. The minimum obligation is to purchase 5,622,900m3 of natural gas per annum for 15 years, beginning on August 1, 1999. The price shall be calculated annually on the anniversary of the Initial Delivery Date and will depend on the Edmonton Average Unbranded High Sulphur Diesel Price as posted in the Bloomberg Oil Buyers Guide on that date.

Legal issue

The Corporation has been named as a defendant in a lawsuit involving the Government of the Northwest Territories and the Federal Government in a claim related to the construction of the hydro system on the Taltson River. As directed by the Cabinet of the Government of the Northwest Territories, the Corporation filed a separate defense to the suit. It is management's estimate that no significant loss to the Corporation will result from this claim.

18. Subsequent event

On April 1, 2001, subsequent to the fiscal year end, the Nunavut Power Corporation (NPC) was formed. On that date, the existing Corporation's assets and liabilities were split.

Notwithstanding this significant change in the operations of the Corporation, these financial statements have been prepared on a going concern basis, including all operations that were transferred to, or taken over by, the Nunavut Power Corporation as of April 1, 2001.

On March 29, 1999, a Transition Agreement between the Government of the Northwest Territories and the Interim Commissioner of Nunavut, set out an approach for the division of the assets, liabilities and surplus of the Corporation as follows:

1. Allocate the capital assets and related debt on an as is, where is, basis.
2. Apportion the residual equity using the revenue requirement as at March 31, 1999.
3. Allocate the remaining assets and liabilities geographically where possible.
4. Allocate the residual assets and liabilities based on revenue requirement as at March 31, 1999.
5. Assets and liabilities incurred on or after April 1, 1999 will be allocated geographically where possible and based on revenue requirement where geographic allocation is not possible.

The application of the approach described above to the April 1, 2001 balance sheet is subject to a further Transfer of Interests Agreement, dated March 30, 2001, and due diligence. The resulting allocation of assets and liabilities at April 1, 2001 is expected to be completed by November 2001.

The Corporation has signed a five-year master agreement with the Nunavut Power Corporation to provide engineering services.

19. Related party transactions

The Corporation is a territorial corporation and consequently is related to the Governments of the Northwest Territories and Nunavut and its agencies and territorial corporations.

The Corporation provides utility services to, and purchases fuel and other services from, these related parties. These transactions are at the same rates and terms as those with similar unrelated customers.

Transactions with related parties and balances at year end, not disclosed elsewhere in the financial statements, are as follows:

	2001			2000
	NWT	Nunavut	Total	Total
Sale of power, heat, water and other	$ 10,630	$ 14,488	$ 25,118	$ 22,547
Purchases made on behalf of NPC	1,633	0	1,633	0
Purchase of fuel	1,370	7,424	8,794	8,205
Fuel Tax	514	1,084	1,598	1,602
Other	24	0	608	471
Balances at year end:				
Accounts receivable	802	1,659	2,461	1,846
Accounts payable	193	1,501	1,694	1,730
Nunavut Power Accounts receivable	1,058	0	1,058	0

20. Financial instruments

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 149,345	$ 182,458	$ 129,681	$ 162,346
Net lease obligation	2,050	3,545	2,238	4,262
Sinking fund investments	14,746	14,814	11,518	11,441

The fair value of cash and short-term investments, other current accounts receivable and payable, and bank indebtedness and short-term debt, approximates the carrying amount of these instruments due to the short period to maturity. The fair values for the long-term debt and net lease obligation are determined using market prices for similar instruments. The fair value of the sinking fund investments was determined using market prices.

21. Franchises

Subsection 37(1) of the *Public Utilities Acts* of the Northwest Territories and Nunavut states that a public utility shall file with the Board a copy of its franchise before the public utility intends to begin operating under the franchise. In Nunavut, this requirement has been revoked.

The Corporation requires franchises for 25 communities in the Northwest Territories. As at March 31, 2001, 21 franchises are in place, while the remaining franchises are at various stages of the application process.

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Consolidated Financial Summary
For the Years Ended March 31
($000's)

	2001	2000	1999	1998	1997
Operating revenue	$ 102,098	$ 101,419	$ 99,865	$ 100,108	$ 102,592
Operating expenses	79,924	78,821	76,407	77,330	81,898
Fuel and lubricants expense	26,187	25,822	25,752	28,118	33,963
Interest expense (1)	13,923	13,330	13,194	13,402	14,385
Earnings from operations	22,174	22,598	23,458	22,778	20,694
Net earnings	9,089	10,676	11,495	10,510	9,106
Dividend	6,368	6,239	6,603	6,261	5,854
Expenditures on property and equipment	20,395	21,427	16,944	11,387	42,477
Gross fixed assets	396,860	390,534	373,281	364,781	350,596
Sales (MWh) (2)	414,181	410,971	408,744	426,696	429,190
Generation (MWh)	462,410	458,969	455,747	482,504	486,576
Total number of customers	19,319	19,248	17,658	17,123	16,855
N.W.T	8,320	8,285	-	-	-
Nunavut	10,999	10,963	-	-	-
Return on Assets Employed (Net income/Avg Total Assets)	2.55%	3.17%	3.81%	3.44%	4.69%
Average Unit Energy Cost (Operating cents/kWh generated)	17.28	17.17	16.77	16.02	16.84

(1) Prior years restated net of AFUDC.

(2) Prior years restated net of sales to NTPC.

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(2) Prior years restated net of sales to NTPC.

LONG SERVICE EMPLOYEES 2000/2001

NAME	POSITION	LOCATION	SERVICE
Delta - Sahtu Region			
Mike VanBridger	Group Leader, Satellite Support	Inuvik	20 years
Brian Campbell	Systems Operator	Inuvik	20 years
Terry Rafferty	Group Leader, Generation	Inuvik	15 years
Jimsey Dick	Line Ground	Inuvik	10 years
Dana Moran	Human Resources Officer	Inuvik	5 years
Tommy Betsidea	Plant Superintendent	Deline	5 years
Trevor Beswick	Electrical Technician	Inuvik	5 years
North Slave Region			
Reg Croizier	Plant Operator	Yellowknife	30 years
Dan Grabke	Hydro Officer	Yellowknife	20 years
Chris Chatwood	Group Leader, Generation	Yellowknife	20 years
John Vanthull	Information Technology Officer	Yellowknife	15 years
Doreen Gill	Customer Service Representative	Yellowknife	15 years
Wendy Ondrack	Group Leader, Finance & Administration	Yellowknife	5 years
Brad Hordal	Diesel Mechanic	Yellowknife	5 years
Deh Cho - South Slave Region			
Allan Crawford	Group Leader, Operations	Fort Smith	20 years
Robert Douglas	Diesel Mechanic	Fort Simpson	5 years
Troy Bradbury	Power Lineperson	Fort Simpson	5 years
Head Office			
Joe Staszuk	Maintenance Manager	Hay River	25 years
Romy Lapak	Senior Payables Clerk	Hay River	20 years
Arla Pringle	Cost Control Clerk	Hay River	10 years
Stephen Kerr	Group Leader, Operations Support	Hay River	10 years
Cheryle Donahue	Group Leader, Human Resources	Hay River	10 years
Derek Aindow	Director, Human Resources	Hay River	10 years
Gerd Sandrock	Director, Business Development	Hay River	5 years
Diana Moes	Director, Finance	Hay River	5 years
Jennifer McSwain	Financial Planning Technician and Reception	Hay River	5 years
Sharmayne Hirst-Horton	Executive Assistant to President	Hay River	5 years
Paul Grant	Senior Accounting Technician	Hay River	5 years
Pun Chu	Director, Engineering	Hay River	5 years
Nunavut			
Alex Ittimangnak	Plant Superintendent	Pelly Bay	25 years
Adam Crout	Plant Operator	Iqaluit	15 years
Robert Morling	Electrician	Iqaluit	10 years
Joe Kukurski	Plant Operator	Iqaluit	10 years
Gary Guy	Power Lineperson	Resolute Bay	10 years
Stewart Wilkerson	Power Lineperson	Rankin Inlet	5 years
Joe Sageatook	Electrician	Iqaluit	5 years
Seon O'Neill	Diesel Mechanic	Iqaluit	5 years
Peter Mackey	Electrical Technician	Iqaluit	5 years
Axel Have	Director, Nunavut Operations	Iqaluit	5 years
Rick Clowater	Power Lineperson	Cambridge Bay	5 years

Standing (l to r) John Parker, Eric Shelton, [illegible]
Seated (l to r) Louise Schumann, Corporate Secretary, Gordon Stewart, Chairman, Leon Courneya, Vice-Chairman, Kelly Kaylo, Andrew Gaule
Missing from photo: David Simailak, Ted Humphreys, Chairman Emeritus

BOARD OF DIRECTORS

Committees of the Board:

Audit & Efficiency Committee
T. Zubko, Chairman
E. Shelton
R. Blennerhassett
S Merkosak
F.F. Abbott, Advisor

Governance & Compensation Committee
J.H. Parker, Chairman
G. Stewart
L. Courneya
K. Kaylo
A. Gaule
D. Simailak

Officers of the Corporation:

Gordon Stewart
Chairman

Leon Courneya, FCA
President & Chief Executive Officer

Derek Aindow
Director, Human Resources

Paul Campbell
Director, Deh Cho - South Slave

Pun Chu, P.Eng
Vice President, Operations & Chief Engineer

Judith Goucher, MA
Director, Finance & CFO

Axel Have, P.Eng
Director, Nunavut Operations

Christine A. Jackson, CA
Vice President, Finance

John Locke
Director, Information Systems & CIO

Dan Roberts, P.Eng
Director, North Slave

Gerd Sandrock, P.Eng
Director, Business Development

Louise Schumann
Corporate Secretary

Brian Willows
Director, Delta - Sahtu